

VILLAGE OF NEW LOTHROP
SHIAWASSEE COUNTY, MICHIGAN

FINANCIAL REPORT WITH
SUPPLEMENTARY INFORMATION

YEAR ENDED FEBRUARY 28, 2005

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input checked="" type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name VILLAGE OF NEW LOTHROP	County SHIAWASSEE
Audit Date 2/28/05	Opinion Date 7/26/05	Date Accountant Report Submitted to State:	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

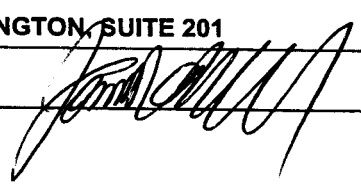
We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) DEMIS AND WENZLICK, P.C.			
Street Address 217 N WASHINGTON, SUITE 201		City OWOSSO	State MI
Accountant Signature 		ZIP 48867	Date 8-10-05

VILLAGE OF NEW LOTHROP
SHIAWASSEE COUNTY, MICHIGAN

TABLE OF CONTENTS

Independent Auditor's Report	1 - 2
Management's Discussion and Analysis	3 - 6
Basic Financial Statements:	
Government-Wide Financial Statements:	
Government-Wide Statement of Net Assets	7 - 8
Government-Wide Statement of Activities	9 - 10
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet	11
Reconciliation of Balance Sheet of Governmental Funds to the Statement of Net Assets	12
Statement of Revenues, Expenditures, and Changes in Fund Balances	13
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	14
Business Type Funds:	
Statement of Net Assets	15 - 16
Statement of Revenues, Expenses and Changes in Net Assets	17
Statement of Cash Flows	18 - 19
Statement of Changes in Net Assets	20
Balance Sheet - Component Unit	21
Reconciliation of Balance Sheet of Component Unit to the Statement of Net Assets	22
Statement of Revenues, Expenditures and Changes in Fund Balance	23
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance of Component Units to the Statement of Activities	24

VILLAGE OF NEW LOTHROP
SHIAWASSEE COUNTY, MICHIGAN

TABLE OF CONTENTS (CONTINUED)

Notes to Financial Statements	25 -38
Required Supplemental Information:	
Budgetary Comparison Schedule - General Fund	39 -40
Budgetary Comparison Schedule - Major Street Fund	41
Budgetary Comparison Schedule - Local Street Fund	42
Budgetary Comparison Schedule - Water Fund	43
Budgetary Comparison Schedule - Sewer Fund	44
Budgetary Comparison Schedule - Component Unit	45



DEMIS and WENZLICK, P.C.

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INDEPENDENT AUDITOR'S REPORT

July 26, 2005

To the Village Council
Village of New Lothrop
Shiawassee County, Michigan

We have audited the accompanying financial statements of the governmental activities, business type activities and major fund of Village of New Lothrop, Shiawassee County, Michigan as of and for the year ended February 28, 2005, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Village of New Lothrop's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business type activities and each major fund of the Village of New Lothrop, Shiawassee County, Michigan as of February 28, 2005, and the respective changes in financial position and cash flows were applicable, of these activities and funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1, the Village has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments as of March 1, 2004.

The Management's Discussion and Analysis and budgetary comparison information listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the Village's basic financial statements. The other supporting information described in the accompanying table of contents is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, in our opinion, it is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Dennis and Wengert, P.C.

Certified Public Accountants

VILLAGE OF NEW LOTHROP
SHIAWASSEE COUNTY, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED FEBRUARY 28, 2005

The Management's Discussion and analysis report of the Village of New Lothrop covers the Village's financial performance during the year ended February 28, 2005.

FINANCIAL HIGHLIGHTS

Our financial status remained stable over the last year. Net assets at February 28, 2005, totaled \$292,637. for governmental activities, \$1,083,887 for business-type activities and \$178,502 for component unit activities. Overall total capital assets remained approximately the same.

Overall revenues were \$408,184 (\$179,873 from governmental activities, \$99,088 from business-type activities and \$129,223 from component unit activities). Governmental activities had a \$5,851 decrease in net assets. Business-type activities has a \$2,939 decrease in net assets. Component unit activities had a \$102,945 increase in net assets.

Taxable value increased by approximately \$481,521.

We did not incur any new debt.

OVERVIEW OF FINANCIAL STATEMENTS

This annual report consists of three parts, management's discussion and analysis, the basic financial statements and required supplementary information. The basic financial statements include two different kinds of statements that present different views of the Village and the notes to the financial statements.

The first two statements are entity-wide financial statements and provide both long and short-term information about our overall financial status. These statements present governmental, business-type and component unit activities.

The remaining statements are fund financial statements, which focus on individual parts of the Village in more detail.

The notes to the financial statements explain some of the information in the statements and provide more detailed data.

Required supplementary information further explains and supports the financial statement information with budgetary comparisons.

VILLAGE OF NEW LOTHROP
SHIAWASSEE COUNTY, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED FEBRUARY 28, 2005

ENTITY-WIDE FINANCIAL STATEMENTS

The entity-wide statements report information about the Village as a whole using accounting methods used by private companies. The statement of net assets includes all of the Village's assets and liabilities. The statement of activities records all of the current year revenues and expenses regardless of when received or paid.

The two entity-wide statements report net assets and how they have changed. Net assets are the difference between the entity's assets and liabilities and this is one method to measure the entity's financial health or position.

Over time increases/decreases in the entity's net assets are an indicator of whether financial position is improving or deteriorating.

To assess overall health of the entity, you may also have to consider additional factors such as tax base changes, facility conditions and personnel changes.

All of the activities of the Village are reported as governmental activities, business-type activities and component unit activities. These include the General Fund, the Major Street Fund, the Local Street Fund, the Water Fund, the Sewer fund and New Lothrop Development Authority.

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the Village's funds, focusing on significant (major) funds not the Village as a whole. Funds are used to account for specific activities or funding sources. Some funds are required by law or bond covenants. The Village Council also may create them. Funds are established to account for funding and spending of specific financial resources and to show proper expenditures of those resources.

The Village has the following types of funds:

Governmental Funds: Some of the Village's activities are included in the governmental fund category. These funds are presented on the modified accrual basis, which is designed to show short-term financial information. You will note that the differences between the Village's entity-wide statements and the fund statements are disclosed in reconciling statements to explain the differences between them. The Village's governmental funds include the General fund, the Major Street Fund and the Local Street Fund.

VILLAGE OF NEW LOTHROP
SHIAWASSEE COUNTY, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS
F9R THE YEAR ENDED FEBRUARY 28, 2005

Business Type Funds: The Village has a Water Fund and a Sewer Fund which includes the activity of providing water and sewer to Village residents.

Discretely Presented Component Unit: The Village has a Development Authority. The Authority function is to provide public improvements within the Village. This fund is presented on the modified accrual basis, which is designed to show short-term financial information. You will note that the differences between the Village's entity-wide statement and the fund statement are disclosed in reconciling statements to explain the differences between them.

FINANCIAL ANALYSIS OF THE VILLAGE AS A WHOLE

Our cash position in both the governmental and business-type activities remain strong.

FINANCIAL ANALYSIS OF THE VILLAGE'S FUNDS

The General Fund had an increase in fund balance of \$84. The Major Street fund had an increase in fund balance of \$5,993. The Local Street Fund had a decrease in fund balance of \$5,302.

The Water Fund had a decrease in net assets of \$5,584. The Sewer Fund had an increase in net assets of \$2,645.

The New Lothrop Development Authority had an increase in fund balance of \$32,468.

CAPITAL ASSET AND LONG-TERM DEBT ACTIVITY

The Village's governmental activities invested \$3,631 in capital assets. The Village's business-type activities invested \$0 in capital assets. The Village's component unit activities invested \$31,286 in capital assets. The Village's governmental activities paid \$0 of principal on long-term debt. The Village's business-type activities paid \$0 of principal on long-term debt. The Village's component unit activities paid \$41,356 of principal on long-term debt.

KNOWN FACTORS AFFECTING FUTURE OPERATIONS

The future of state revenue sharing is very clouded and it represents significant portion of our income.

VILLAGE OF NEW LOTHROP
SHIAWASSEE COUNTY, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED FEBRUARY 28, 2005

CONTACTING THE VILLAGE'S MANAGEMENT

This financial report is intended to provide our taxpayers, creditors, investors, and customers with a general overview of the Village's finances and to demonstrate the Village's accountability for the revenues it receives. If you have any questions concerning this report, please contact the Village Clerk or Village Treasurer at (810) 638-5600.

VILLAGE OF NEW LOTHROP,
SHIAWASSEE COUNTY, MICHIGAN
GOVERNMENT-WIDE STATEMENT OF NET ASSETS
FEBRUARY 28, 2005

	PRIMARY GOVERNMENT			COMPONENT UNIT
	GOVERNMENTAL	BUSINESS-TYPE		
	<u>ACTIVITIES</u>	<u>ACTIVITIES</u>	<u>TOTAL</u>	
ASSETS:				
CURRENT ASSETS:				
Cash in Bank	\$175,282	\$ 413,982	\$ 589,264	\$244,829
Certificate of Deposit	39,107	57,556	96,663	-0-
Receivables	985	27,628	28,613	76,842
Prepaid Expenses	<u>13,886</u>	<u>5,959</u>	<u>19,845</u>	<u>-0-</u>
TOTAL CURRENT ASSETS	<u>\$229,260</u>	<u>\$ 505,125</u>	<u>\$ 734,385</u>	<u>\$321,671</u>
RESTRICTED ASSETS:				
Certificates of Deposit	\$ <u>-0-</u>	\$ <u>19,000</u>	\$ <u>19,000</u>	\$ <u>-0-</u>
TOTAL RESTRICTED ASSETS	<u>\$ -0-</u>	<u>\$ 19,000</u>	<u>\$ 19,000</u>	<u>\$ -0-</u>
NONCURRENT ASSETS:				
CAPITAL ASSETS:				
Land	\$ 23,330	\$ 24,966	\$ 48,296	\$ 40,005
Other Capital Assets, Net of Accum. Depr.	<u>48,172</u>	<u>536,473</u>	<u>584,645</u>	<u>35,874</u>
TOTAL NONCURRENT ASSETS	<u>\$ 71,502</u>	<u>\$ 561,439</u>	<u>\$ 632,941</u>	<u>\$ 75,879</u>
TOTAL ASSETS	<u>\$300,762</u>	<u>\$1,085,564</u>	<u>\$1,386,326</u>	<u>\$397,550</u>

The accompanying notes are an integral
part of the financial statements.

VILLAGE OF NEW LOTHROP,
SHIAWASSEE COUNTY, MICHIGAN
GOVERNMENT-WIDE STATEMENT OF NET ASSETS
FEBRUARY 28, 2005

	<u>PRIMARY GOVERNMENT</u>			<u>COMPONENT</u>
	<u>GOVERNMENTAL</u>	<u>BUSINESS-TYPE</u>		<u>UNIT</u>
	<u>ACTIVITIES</u>	<u>ACTIVITIES</u>	<u>TOTAL</u>	
LIABILITIES AND NET ASSETS:				
LIABILITIES:				
CURRENT LIABILITIES:				
Accounts Payable	\$ 5,600	\$ 949	\$ 6,549	\$
Accrued Wages	715	-0-	715	-0-
Payroll Taxes Payable	<u>1,810</u>	<u>728</u>	<u>2,538</u>	
TOTAL CURRENT LIABILITIES	\$ <u>8,125</u>	\$ <u>1,677</u>	\$ <u>9,802</u>	\$ <u>-0-</u>
NONCURRENT LIABILITIES:				
SIB Loan	\$ <u>-0-</u>	\$ <u>-0-</u>	\$ <u>-0-</u>	\$ <u>219,048</u>
TOTAL NONCURRENT LIABILITIES	\$ <u>-0-</u>	\$ <u>-0-</u>	\$ <u>-0-</u>	\$ <u>219,048</u>
TOTAL LIABILITIES	\$ <u>8,125</u>	\$ <u>1,677</u>	\$ <u>9,802</u>	\$ <u>219,048</u>
NET ASSETS:				
Invested in Capital Assets, Net of Related Debt	\$ 71,502	\$ 561,439	\$ 632,941	\$ (143,169)
Restricted for Improvements and Maintenance	-0-	19,000	19,000	-0-
Unrestricted	<u>221,135</u>	<u>503,448</u>	<u>724,583</u>	<u>321,671</u>
TOTAL NET ASSETS	\$ <u>292,637</u>	\$ <u>1,083,887</u>	\$ <u>1,376,524</u>	\$ <u>178,502</u>
TOTAL LIABILITIES AND NET ASSETS	\$ <u>300,762</u>	\$ <u>1,085,564</u>	\$ <u>1,386,326</u>	\$ <u>397,550</u>

The accompanying notes are an integral
part of the financial statements.

VILLAGE OF NEW LOTHROP
SHIAWASSEE COUNTY, MICHIGAN
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED FEBRUARY 28, 2005

		<u>PROGRAM REVENUES</u>		
		<u>CHARGES</u>	<u>OPERATING</u>	<u>NET</u>
	<u>EXPENSES</u>	<u>FOR SERVICES</u>	<u>GRANTS AND</u>	<u>(EXPENSE)</u>
			<u>CONTRIBUTIONS</u>	<u>REVENUE</u>
FUNCTIONS/PROGRAMS				
GOVERNMENTAL ACTIVITIES:				
Administration	\$ 67,098	\$ 1,912	\$	\$ (65,186)
Law Enforcement	54,689	1,815	500	(52,374)
Library	1,200	-0-	-0-	(1,200)
Streets	<u>62,737</u>	<u>-0-</u>	<u>-0-</u>	<u>(62,737)</u>
TOTAL GOVERNMENTAL ACTIVITIES	<u>\$185,724</u>	<u>\$ 3,727</u>	<u>\$ 500</u>	<u>\$ (181,497)</u>
BUSINESS-TYPE ACTIVITIES:				
Water and Sewer	\$102,027	\$92,451	\$ 2,850	\$ (6,726)
TOTAL BUSINESS-TYPE ACTIVITIES	<u>\$102,027</u>	<u>\$92,451</u>	<u>\$ 2,850</u>	<u>\$ (6,726)</u>
TOTAL PRIMARY GOVERNMENT	<u>\$287,751</u>	<u>\$96,178</u>	<u>\$ 3,350</u>	<u>\$ (188,223)</u>
COMPONENT UNITS:				
New Lothrop Development Authority	\$ 26,278	\$ -0-	\$ -0-	\$ (26,278)
TOTAL COMPONENT UNITS	<u>\$ 26,278</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ (26,278)</u>

The accompanying notes are an integral
part of the financial statements.

VILLAGE OF NEW LOTHROP
SHIAWASSEE COUNTY, MICHIGAN
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED FEBRUARY 28, 2005

	<u>GOVERNMENTAL ACTIVITIES</u>	<u>BUSINESS-TYPE ACTIVITIES</u>	<u>TOTAL</u>	<u>COMPONENT UNITS</u>
CHANGE IN NET ASSETS:				
NET (EXPENSES) REVENUE	\$ (181,497)	\$ (6,726)	\$ (188,223)	\$ (26,278)
GENERAL REVENUES:				
Property Taxes	\$ 50,126	\$ -0-	\$ 50,126	\$ 140,710
State Revenue Sharing	109,309	-0-	109,309	-0-
Franchise Fees	2,277	-0-	2,277	-0-
Interest	1,934	3,787	5,721	513
Transfers	<u>12,000</u>	<u>-0-</u>	<u>12,000</u>	<u>(12,000)</u>
TOTAL GENERAL REVENUES AND TRANSFERS	\$ <u>175,646</u>	\$ <u>3,787</u>	\$ <u>179,433</u>	\$ <u>129,223</u>
CHANGE IN NET ASSETS	\$ (5,851)	\$ (2,939)	\$ (8,790)	\$ 102,945
Net Assets, Beginning of Year	<u>298,488</u>	<u>1,086,826</u>	<u>1,385,314</u>	<u>75,667</u>
NET ASSETS, END OF YEAR	\$ <u>292,637</u>	\$ <u>1,083,887</u>	\$ <u>1,376,524</u>	\$ <u>178,502</u>

The accompanying notes are an integral
part of the financial statements.

VILLAGE OF NEW LOTHROP
SHIAWASSEE COUNTY, MICHIGAN
BALANCE SHEET
GOVERNMENTAL FUNDS
FEBRUARY 28, 2005

	<u>GENERAL</u>	<u>MAJOR STREET</u>	<u>LOCAL STREET</u>	<u>TOTAL</u>
ASSETS:				
Cash in Bank	\$146,170	\$ 4,527	\$ 24,585	\$175,282
Certificates of Deposit	20,044	19,063	-0-	39,107
Accounts Receivable	-0-	594	-0-	594
Interest Receivable	-0-	22	-0-	22
Prepaid Expenses	11,135	1,925	826	13,886
Property Taxes Rec.	<u>369</u>	<u>-0-</u>	<u>-0-</u>	<u>369</u>
TOTAL ASSETS	<u>\$177,718</u>	<u>\$26,131</u>	<u>\$ 25,411</u>	<u>\$229,260</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES:				
Accrued Wages	\$ 715	\$ -0-	\$ -0-	\$ 715
Accounts Payable	3,861	1,473	266	5,600
Payroll Taxes Payable	<u>1,456</u>	<u>248</u>	<u>106</u>	<u>1,810</u>
TOTAL LIABILITIES	<u>\$ 6,032</u>	<u>\$ 1,721</u>	<u>\$ 372</u>	<u>\$ 8,125</u>
FUND BALANCES:				
Unreserved	<u>\$171,686</u>	<u>\$24,410</u>	<u>\$ 25,039</u>	<u>\$221,135</u>
TOTAL FUND BALANCES	<u>\$171,686</u>	<u>\$24,410</u>	<u>\$ 25,039</u>	<u>\$221,135</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$177,718</u>	<u>\$26,131</u>	<u>\$ 25,411</u>	<u>\$229,260</u>

The accompanying notes are an integral part of the financial statements.

VILLAGE OF NEW LOTHROP,
SHIAWASSEE COUNTY, MICHIGAN
RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
FEBRUARY 28, 2005

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS \$221,135

Amounts Reported for Governmental Activities
in the Statement of Net Assets are Different
Because -

Capital Assets Used in Governmental Activities
are not Financial Resources and therefore are
not reported in the Governmental Funds Balance
Sheet:

Capital Assets at Cost	221,681
Accumulated Depreciation	<u>(150,179)</u>

TOTAL NET ASSETS - GOVERNMENTAL ACTIVITIES \$ 292,637

The accompanying notes are an integral
part of the financial statements.

VILLAGE OF NEW LOTHROP
SHIAWASSEE COUNTY, MICHIGAN
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED FEBRUARY 28, 2005

	<u>GENERAL</u>	<u>MAJOR STREET</u>	<u>LOCAL STREET</u>	<u>TOTAL</u>
REVENUES:				
Property Taxes	\$ 50,126	\$ -0-	\$ -0-	\$ 50,126
State Revenue Sharing	58,342	38,571	12,396	109,309
Charges for Services:				
Security	195	-0-	-0-	195
Zoning	1,912	-0-	-0-	1,912
Fines and Forfeits:				
Police Fines	1,620	-0-	-0-	1,620
Franchise fees	2,277	-0-	-0-	2,277
Interest	1,473	274	187	1,934
Police Training Grant	500	-0-	-0-	500
TOTAL REVENUES	<u>\$116,445</u>	<u>\$ 38,845</u>	<u>\$12,583</u>	<u>\$167,873</u>
EXPENDITURES:				
Administration	\$ 66,416	\$ -0-	\$ -0-	\$ 66,416
Law Enforcement	48,745	-0-	-0-	48,745
Library	1,200	-0-	-0-	1,200
Streets	-0-	44,852	17,885	62,737
TOTAL EXPENDITURES	<u>\$116,361</u>	<u>\$ 44,852</u>	<u>\$17,885</u>	<u>\$179,098</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ <u>84</u>	\$ <u>(6,007)</u>	\$ <u>(5,302)</u>	\$ <u>(11,225)</u>
OTHER SOURCES OF FUNDS:				
Transfer in from Component Unit	\$ <u>-0-</u>	\$ <u>12,000</u>	\$ <u>-0-</u>	\$ <u>12,000</u>
TOTAL OTHER SOURCES OF FUNDS	\$ <u>-0-</u>	\$ <u>12,000</u>	\$ <u>-0-</u>	\$ <u>12,000</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES AND OTHER SOURCES OF FUNDS	\$ <u>84</u>	\$ <u>5,993</u>	\$ <u>(5,302)</u>	\$ <u>775</u>
Fund Balance March 1, 2004	<u>171,602</u>	<u>18,417</u>	<u>30,341</u>	<u>220,360</u>
FUND BALANCE AT FEBRUARY 28, 2005	<u>\$171,686</u>	<u>\$ 24,410</u>	<u>\$25,039</u>	<u>\$221,135</u>

The accompanying notes are an integral part of the financial statements.

VILLAGE OF NEW LOTHROP
SHIAWASSEE COUNTY, MICHIGAN
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED FEBRUARY 28, 2005

Net Changes in Fund Balances - Total
Government Funds \$ 775

Amounts reported for Governmental Activities
in the Statement of Activities are
Difference Because:

Governmental Funds Report Capital Outlays as
Expenditures; in the Statement of Activities,
these Costs are Allocated over their
Estimated Useful Lives as Depreciation

Depreciation Expense (10,257)
Capital Outlay 3,631

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES \$ (5,851)

The accompanying notes are an integral
part of the financial statements.

VILLAGE OF NEW LOTHROP
SHIAWASSEE COUNTY, MICHIGAN
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
FEBRUARY 28, 2005

	<u>WATER FUND</u>	<u>SEWER FUND</u>	<u>TOTAL</u>
ASSETS:			
CURRENT ASSETS:			
Cash in Bank	\$ 140,119	\$ 273,863	\$ 413,982
Certificates of Deposit	48,056	9,500	57,556
Customer Receivables	26,588	900	27,488
Interest Receivable	134	6	140
Prepaid Expenses	<u>3,203</u>	<u>2,756</u>	<u>5,959</u>
TOTAL CURRENT ASSETS	\$ <u>218,100</u>	\$ <u>287,025</u>	\$ <u>505,125</u>
RESTRICTED ASSETS:			
Certificates of Deposit	\$ <u>19,000</u>	\$ <u>-0-</u>	\$ <u>19,000</u>
TOTAL RESTRICTED ASSETS	\$ <u>19,000</u>	\$ <u>-0-</u>	\$ <u>19,000</u>
NON-CURRENT ASSETS:			
Capital Assets:			
Land	\$ 5,466	\$ 19,500	\$ 24,966
Other Capital Assets	303,900	746,050	1,049,950
Less: Accumulated Depreciation	<u>(163,220)</u>	<u>(350,257)</u>	<u>(513,477)</u>
TOTAL NON-CURRENT ASSETS	\$ <u>146,146</u>	\$ <u>415,293</u>	\$ <u>561,439</u>
TOTAL ASSETS	\$ <u>383,246</u>	\$ <u>702,318</u>	\$ <u>1,085,564</u>

The accompanying notes are an integral part of the financial statements.

VILLAGE OF NEW LOTHROP.
SHIAWASSEE COUNTY, MICHIGAN
STATEMENT OF NET ASSETS (CONTINUED)
PROPRIETARY FUNDS
FEBRUARY 28, 2005

	<u>WATER FUND</u>	<u>SEWER FUND</u>	<u>TOTAL</u>
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES:			
Accounts Payable	\$ 434	\$ 515	\$ 949
Payroll Taxes Payable	<u>348</u>	<u>380</u>	<u>728</u>
TOTAL CURRENT LIABILITIES	\$ <u>782</u>	\$ <u>895</u>	\$ <u>1,677</u>
NET ASSETS:			
Retained Earnings:			
Invested in Capital Assets,			
Net of Related Debt	\$ 146,146	\$ 415,293	\$ 561,439
Restricted	19,000	-0-	19,000
Unrestricted	<u>217,318</u>	<u>286,130</u>	<u>503,448</u>
TOTAL NET ASSETS	\$ <u>382,464</u>	\$ <u>701,423</u>	\$ <u>1,083,887</u>
TOTAL LIABILITIES AND			
NET ASSETS	\$ <u>383,246</u>	\$ <u>702,318</u>	\$ <u>1,085,564</u>

The accompanying notes are an integral
part of the financial statements.

VILLAGE OF NEW LOTHROP
SHIAWASSEE COUNTY, MICHIGAN
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED FEBRUARY 28, 2005

	<u>WATER FUND</u>	<u>SEWER FUND</u>	<u>TOTAL</u>
OPERATING REVENUES:			
Water Sales	\$ 44,648	\$ -0-	\$ 44,648
Sewage Disposal Services	-0-	40,930	40,930
Hydrant Tax	5,046	-0-	5,046
Installation & Inspection Fees	<u>1,187</u>	<u>640</u>	<u>1,827</u>
TOTAL OPERATING REVENUES	<u>\$ 50,881</u>	<u>\$ 41,570</u>	<u>\$ 92,451</u>
OPERATING EXPENSES:			
Administration	\$ 16,889	\$ 11,642	\$ 28,531
Operation & Maintenance	19,037	3,199	22,236
Wages	15,217	15,049	30,266
Payroll Taxes	1,210	1,197	2,407
Utilities	2,477	843	3,320
Depreciation	<u>6,452</u>	<u>8,815</u>	<u>15,267</u>
TOTAL OPERATING EXPENSES	<u>\$ 61,282</u>	<u>\$ 40,745</u>	<u>\$ 102,027</u>
OPERATING INCOME (LOSS)	<u>\$ (10,401)</u>	<u>\$ 825</u>	<u>\$ (9,576)</u>
NON-OPERATING REVENUES:			
Wellhead Protection Grant	\$ 2,850	\$ -0-	\$ 2,850
Interest Revenue	<u>1,967</u>	<u>1,820</u>	<u>3,787</u>
TOTAL NON-OPERATING REVENUES	<u>\$ 4,817</u>	<u>\$ 1,820</u>	<u>\$ 6,637</u>
CHANGE IN NET ASSETS	<u>\$ (5,584)</u>	<u>\$ 2,645</u>	<u>\$ (2,939)</u>
Net Assets, Beginning of Year	<u>388,048</u>	<u>698,778</u>	<u>\$1,086,826</u>
NET ASSETS, END OF YEAR	<u>\$382,464</u>	<u>\$701,423</u>	<u>\$1,083,887</u>

The accompanying notes are an integral part of the financial statements.

VILLAGE OF NEW LOTHROP
SHIAWASSEE COUNTY, MICHIGAN
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDING FEBRUARY 28, 2005

	<u>WATER FUND</u>	<u>SEWER FUND</u>	<u>TOTAL</u>
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash Received from Customers	\$ 48,073	\$ 41,305	\$ 89,378
Cash Payments to Suppliers for Goods and Services	(45,313)	(17,696)	(63,009)
Cash Payments to Employees for Services	<u>(15,217)</u>	<u>(15,049)</u>	<u>(30,266)</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ <u>(12,457)</u>	\$ <u>8,560</u>	\$ <u>(3,897)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:			
Operating Grant Received	\$ <u>2,850</u>	\$ <u>-0-</u>	\$ <u>2,850</u>
NET CASH PROVIDED (USED) BY NON-CAPITAL FINANCING ACTIVITIES	\$ <u>2,850</u>	\$ <u>-0-</u>	\$ <u>2,850</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest Income	\$ <u>1,968</u>	\$ <u>1,820</u>	\$ <u>3,788</u>
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	\$ <u>1,968</u>	\$ <u>1,820</u>	\$ <u>3,788</u>
NET INCREASE (DECREASE) IN CASH	\$ (7,639)	\$ 10,380	\$ 2,741
Cash, Beginning of Year	<u>214,814</u>	<u>272,983</u>	<u>487,797</u>
CASH, END OF YEAR	<u>\$207,175</u>	<u>\$283,363</u>	<u>\$490,538</u>

The accompanying notes are an integral
part of the financial statements.

VILLAGE OF NEW LOTHROP
SHIAWASSEE COUNTY, MICHIGAN
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED FEBRUARY 28, 2005

	<u>WATER FUND</u>	<u>SEWER FUND</u>	<u>TOTAL</u>
RECONCILIATION OF INCOME (LOSS) FROM OPERATIONS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:			
Income (Loss) from Operations	\$ (10,401)	\$ 825	\$ (9,576)
Adjustments to Reconcile Income (Loss) from Operations to Net Cash Provided (Used) by Operating Activities:			
Depreciation	6,452	8,815	15,267
(Increase) Decrease in Receivables	(2,808)	(265)	(3,073)
(Increase) Decrease in Prepaids	(466)	(446)	(912)
Increase (Decrease) in Payables	<u>(5,234)</u>	<u>(369)</u>	<u>(5,603)</u>
NET CASH PROVIDED (USED) IN OPERATING ACTIVITIES	\$ <u>(12,457)</u>	\$ <u>8,560</u>	\$ <u>(3,897)</u>
RECONCILIATION OF INCOME (LOSS) FROM INVESTING TO NET CASH PROVIDED BY INVESTING ACTIVITIES			
Income (Loss) from Investing Activities	\$ 1,967	\$1,820	\$ 3,787
Adjustments to Reconcile Income (Loss) from Investing to Net Cash Provided by Investing Activities			
(Increase) Decrease in Interest Receivables	<u>1</u>	<u>-0-</u>	<u>1</u>
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	\$ <u>1,968</u>	\$ <u>1,820</u>	\$ <u>3,788</u>

The accompanying notes are an integral
part of the financial statements.

VILLAGE OF NEW LOTHROP
SHIAWASSEE COUNTY, MICHIGAN
STATEMENT OF CHANGES IN NET ASSETS
FIDUCIARY FUNDS
FOR THE YEAR ENDED FEBRUARY 28, 2005

	<u>TAX ACCOUNT</u>
RECEIPTS:	
Property Tax Collections	\$127,952
TOTAL RECEIPTS	<u>\$127,952</u>
DISBURSEMENTS:	
General fund	\$ 50,127
Water System	5,046
New Lothrop Development Authority	<u>72,779</u>
TOTAL DISBURSEMENTS	<u>\$127,952</u>
EXCESS RECEIPTS OVER DISBURSEMENTS	\$ -0-
Beginning Cash Balance	<u>-0-</u>
ENDING CASH BALANCE	<u>\$ -0-</u>

The accompanying notes are an integral
part of the financial statements.

VILLAGE OF NEW LOTHROP'
SHIAWASSEE COUNTY, MICHIGAN
BALANCE SHEET
COMPONENT UNIT
FEBRUARY 28, 2005

NEW LOTHROP
DEVELOPMENT
AUTHORITY

ASSETS:

Cash in Bank	\$244,829
Receivables	<u>76,842</u>
TOTAL ASSETS	<u>\$321,671</u>

LIABILITIES AND FUND BALANCES

FUND BALANCE:

Unreserved	<u>\$321,671</u>
TOTAL FUND BALANCE	<u>\$321,671</u>

The accompanying notes are an integral
part of the financial statements.

VILLAGE OF NEW LOTHROP
SHIAWASSEE COUNTY, MICHIGAN
RECONCILIATION OF BALANCE SHEET OF COMPONENT UNIT
TO THE STATEMENT OF NET ASSETS
FEBRUARY 28, 2005

TOTAL FUND BALANCE - COMPONENT UNIT \$321,671

Amounts Reported for Component Unit Activities
in the Statement of Net Assets are Different
Because:

Capital Assets Used in Component Unit Activities
are not Financial Resources and therefore are
not reported in the Component Units Balance
Sheet:

Capital Assets at Cost	79,728
Accumulated Depreciation	(3,849)

Long-Term Liabilities are not Due and Payable in
the Current Period and are not Reported in the
Component Units Balance Sheet (219,048)

TOTAL NET ASSETS - COMPONENT UNIT ACTIVITIES \$178,502

The accompanying notes are an integral
part of the financial statements.

VILLAGE OF NEW LOTHROP
SHIAWASSEE COUNTY, MICHIGAN
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
COMPONENT UNIT
FOR THE YEAR ENDED FEBRUARY 28, 2005

	<u>NEW LOTHROP DEVELOPMENT AUTHORITY</u>
REVENUES:	
Property Taxes	\$140,710
Interest	<u>513</u>
TOTAL REVENUES	<u>\$141,223</u>
EXPENDITURES:	
Downtown Beautification	\$ 2,187
Official Wages	500
Capital Outlay	31,286
Long-Term Debt Payment:	
Interest	10,416
Principal	41,356
Professional Services	4,770
Supplies	137
Downtown Promotion	<u>6,103</u>
TOTAL EXPENDITURES	<u>\$ 96,755</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>\$ 44,468</u>
OTHER USES OF FUNDS:	
Transfer to Primary Government	\$(12,000)
TOTAL OTHER USES OF FUNDS	<u>\$(12,000)</u>
EXCESS OF REVENUES OVER EXPENDITURES AND OTHER USES OF FUNDS	\$ 32,468
Fund Balance at March 1, 2004	<u>289,203</u>
FUND BALANCE AT FEBRUARY 28, 2005	<u>\$321,671</u>

The accompanying notes are an integral
part of the financial statements.

VILLAGE OF NEW LOTHROP
SHIAWASSEE COUNTY, MICHIGAN
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE OF COMPONENT UNITS TO THE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED FEBRUARY 28, 2005

NET CHANGES IN FUND BALANCE - COMPONENT UNIT \$ 32,468

Amounts Reported for Component Unit Activities in
the Statement of Activities are Different Because:

Component Unit Funds Report Capital Outlays as
Expenditures; in the Statement of Activities,
these Costs are Allocated over their Estimated
Useful Lives as Depreciation

Depreciation Expense	(2,165)
Capital Outlay	31,286

Component Unit Funds Report Repayment of Loan
Principal is an Expenditure, but not in the
Statement of Activities (where it reduces
long-term debt)

SIB Loan Principal Repayment	<u>41,356</u>
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CHANGE IN NET ASSETS OF COMPONENT UNIT ACTIVITIES	<u>\$102,945</u>
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The accompanying notes are an integral
part of the financial statements.

VILLAGE OF NEW LOTHROP
SHIAWASSEE COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FEBRUARY 28, 2005

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Village of New Lothrop, Shiawassee County, Michigan, conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the Village of New Lothrop.

1. REPORTING ENTITY

The Village of New Lothrop is governed by an elected nine-member council (Board). The accompanying financial statements present the government and its component unit, entities for which the government is considered to be financially accountable. The discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government (see discussion below for description)

DISCRETELY PRESENTED COMPONENT UNIT

New Lothrop Development Authority is used for the planning of improvements in the downtown district. Board members are appointed by the Board. The Development Authority is fiscally dependent upon Village, because the Board approves its budget, levies taxes and must approve any Debt issuance. The Development Authority is presented as a governmental type fund.

2. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The government-wide financial statements, (The Statement of Net Assets and the Statement of Changes in Net Assets) report information on all of the non-fiduciary activities of the primary government and its component unit. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct Expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes, inter-governmental payments and other items not properly included among program revenues are reported as general revenue.

VILLAGE OF NEW LOTHROP
SHIAWASSEE COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FEBRUARY 28, 2005

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

3. MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected with the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

GOVERNMENTAL FUNDS

General Fund - This fund is used to account for all financial transactions except those required to be accounted for in another fund. The fund includes the general operating expenditures of the local unit. Revenues are derived primarily from property taxes, state and federal distributions, grants, and other intergovernmental revenues.

Special Revenue Funds - These funds are used to account for specific governmental revenues requiring separate accounting because of legal or regulatory provisions or administrative action.

VILLAGE OF NEW LOTHROP
SHIAWASSEE COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FEBRUARY 28, 2005

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

PROPRIETARY FUNDS

ENTERPRISE FUNDS

These funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Water and Sewer Enterprise Funds are charges to customers for services. The Enterprise Funds also recognize as operating revenues the tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for the Enterprise Funds include the cost of services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

FIDUCIARY FUNDS

Trust Funds - These funds are used to account for assets held by the Village in a trustee capacity or as an agent for individuals, private organizations, other governments and/or other funds.

4. ASSETS, LIABILITIES AND NET ASSETS OR EQUITY

BANK DEPOSITS

Cash and cash equivalents investments include cash on hand, demand deposits and certificates of deposit with a maturity of three months or less when acquired. They are stated at fair value.

RECEIVABLES AND PAYABLES

Receivables have been recognized for all significant amounts due to the Village. Allowances for uncollectible accounts have not been provided for in that collection is not considered doubtful and any uncollected amount would be immaterial.

VILLAGE OF NEW LOTHROP
SHIAWASSEE COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FEBRUARY 28, 2005

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

RECEIVABLES AND PAYABLES (CONTINUED)

In general, outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances." Outstanding balances between the primary government and the discretely presented component units are reported as "due to/from primary government" and due to/from component unit."

INVENTORIES AND PREPAID ITEMS

Inventories of supplies are considered to be immaterial and are not recorded. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

RESTRICTED ASSETS

The Enterprise Funds require amounts to be set aside for improvements and water pump replacements. These amounts have been classified as restricted assets.

PROPERTY TAXES

Property taxes and other revenue that are both measurable and available for use to finance operations are recorded as revenue when earned.

Properties are assessed as of December 31, and the related property taxes become a lien on July 1, of the following year. These taxes are due on September 15. The Village 2004 tax roll millage rate was 10.000 mills for general services and 1.000 mill for water services, and the taxable value was \$5,046,060.

ENCUMBRANCES

Encumbrances involving the current recognition of purchase orders, contracts and other commitments for future expenditures are not recorded.

VILLAGE OF NEW LOTHROP
SHIAWASSEE COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FEBRUARY 28, 2005

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

CAPITAL ASSETS

Capital assets, which include property, plant, equipment, infrastructure assets (e.g. roads, bridges, sidewalks and similar items) are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the Village as assets with an initial individual cost of more than \$100 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Buildings, Additions and Improvements	40 years
Furniture, Fixtures and Equipment	5 to 7 years
Infrastructure	15 to 20 years
Water and Sewer Lines	75 years

COMPENSATED ABSENCES (VACATION AND SICK PAY)

The Village has only one full-time employee that is eligible for vacation time. Any vacation accrued at year end is considered immaterial and is not recorded as a liability.

POST-EMPLOYMENT BENEFITS

The Village provides no post-employment benefits to past employees.

LONG-TERM OBLIGATIONS

In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, or proprietary fund type statement of net assets.

FUND EQUITY

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

VILLAGE OF NEW LOTHROP
SHIAWASSEE COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FEBRUARY 28, 2005

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

ACCOUNTING CHANGE

Effective March 1, 2004, the Village implemented the provisions of Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and local Governments (GASB No. 34). Changes to the Village's financial statements as a result of GASB No. 34 are as follows:

A Management's Discussion and Analysis (MD & A) section providing analysis of the Village's overall financial position and results of operations has been included.

Government-wide financial statements (Statement of Net Assets and Statement of Activities) prepared using the full accrual accounting for all the Village's activities have been provided.

Capital assets in the governmental activities column of the Statement of Net Assets include net assets totaling \$147,381.

NOTE B - BUDGETS AND BUDGETARY ACCOUNTING

The following procedures are followed in establishing the budgetary data reflected in these financial statements.

1. Prior to the beginning of the fiscal year, the proposed budget for each budgetary fund is submitted to the Village Council for consideration.
2. The proposed budgets include expenditures as well as the methods of financing them.
3. Public hearings are held to obtain taxpayer comments.
4. The budgets are adopted at the activity level by a majority vote of the Village Council.
5. The budgets are adopted on the modified accrual basis of accounting.
6. The originally adopted budgets can be amended during the year by a majority vote of the Village Council. The Village Clerk is authorized to transfer budgeted amounts between classifications within any fund. These adjustments must be approved by the Village Council at the next meeting.

VILLAGE OF NEW LOTHROP
SHIAWASSEE COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FEBRUARY 28, 2005

NOTE B - BUDGETS AND BUDGETARY ACCOUNTING (CONTINUED)

7. The adopted budgets are used as a management control device, during the year, for all budgetary funds.
8. Budget appropriations lapse at the end of each fiscal year.
9. The budgeted amounts shown in these financial statements are the originally adopted budgets with all amendments that were approved by the Village Council during the fiscal year.
10. The Development Authority, a discretely presented component unit, follows the same procedures as the Village in establishing their budget.

EXCESS OF EXPENDITURES OVER APPROPRIATIONS IN BUDGETARY FUNDS

During the year, the Village incurred expenditures in certain budgeted funds which were in excess of the amounts appropriated, as follows:

<u>BUDGETED ITEM</u>	<u>BUDGET APPROPRIATION</u>	<u>ACTUAL EXPENDITURE</u>
Local Street Fund Prof. Fees	\$ 3,250	\$ 5,100
Water Fund Administration	12,000	16,889

NOTE C - DEPOSITS

Michigan Compiled Laws, Section 129.91, authorizes the Village to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or federal agency obligations repurchase agreements; banker's acceptance of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

VILLAGE OF NEW LOTHROP
SHIAWASSEE COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS 9(CONTINUED)
FEBRUARY 28, 2005

NOTE C - DEPOSITS (CONTINUED)

The Village Council has designated one bank for the deposit of Village funds. The investment policy adopted by the council in accordance with Public Act 196 of 1997 has authorized investment in all investments authorized by state law as listed above.

The Village's deposits and investment policy are in accordance with statutory authority.

The Government Accounting Standards Board Statement No. 3, risk disclosure for the cash deposits are as follows:

	<u>CARRYING AMOUNTS</u>	
	<u>PRIMARY</u>	<u>COMPONENT</u>
	<u>GOVERNMENT</u>	<u>UNIT</u>
Total Deposits	<u>\$704,927</u>	<u>\$244,828</u>

Amounts in the bank balances are without considering deposits in transit or uncleared checks.

	<u>BANK BALANCES</u>	
	<u>PRIMARY</u>	<u>COMPONENT</u>
	<u>GOVERNMENT</u>	<u>UNIT</u>
Insured (FDIC)	\$200,000	\$100,000
Uninsured & Uncollateralized	<u>504,927</u>	<u>144,828</u>
TOTAL DEPOSITS	<u>\$704,927</u>	<u>\$244,828</u>

VILLAGE OF NEW LOTHROP
SHIAWASSEE COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FEBRUARY 28, 2005

NOTE D - COMMON BANK ACCOUNT

The Village has maintained a common bank account, during the year, to obtain higher interest earnings. The equity of each individual fund in this bank account are as follows:

General Fund	\$146,170
Major Street Fund	4,527
Local Street Fund	24,585
Water Fund	140,119
Sewer Fund	<u>273,863</u>
TOTAL COMMON BANK ACCOUNT BALANCE	
FEBRUARY 28, 2005	<u>\$589,264</u>

NOTE E - INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund transfers is as follows:

<u>TRANSFERS IN</u>	<u>TRANSFERS OUT</u>	
Primary Government	Component Unit	
Major Street	Development	
	Authority	<u>\$ 12,000</u>

VILLAGE OF NEW LOTHROP
SHIAWASSEE COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FEBRUARY 28, 2005

NOTE F - CAPITAL ASSETS

Capital asset activity of the Village's Governmental and Proprietary activities for the current year was as follows:

	BALANCE 03-01-04	ADDITIONS	DELETIONS	BALANCE 02-28-05
GOVERNMENTAL ACTIVITIES:				
Capital Assets not being Depreciated				
Land	\$ <u>23,330</u>	\$ <u>-0-</u>	\$ <u>-0-</u>	\$ <u>23,330</u>
Capital Assets being Depreciated				
Buildings	\$ 80,968	\$ -0-	\$ -0-	\$ 80,968
Equipment	34,691	3,631	(8,981)	29,341
Furn. & Fixt.	20,421	-0-	(13,973)	6,448
Infrastructure	22,328	-0-	-0-	22,328
Law Enforcement Equip	<u>59,266</u>	<u>-0-</u>	<u>-0-</u>	<u>59,266</u>
TOTAL	\$217,674	\$ 3,631	\$ (22,954)	\$198,351
Accumulated Depr.	(<u>139,922</u>)	(<u>10,257</u>)	<u>-0-</u>	(<u>150,179</u>)
Net Capital Assets Being Depreciated	\$ <u>77,752</u>	\$ <u>(6,626)</u>	\$ <u>(22,954)</u>	\$ <u>48,172</u>
Net Governmental Capital Assets	<u>\$101,082</u>	<u>\$ (6,626)</u>	<u>\$ (22,954)</u>	<u>\$ 71,502</u>

VILLAGE OF NEW LOTHROP
SHIAWASSEE COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FEBRUARY 28, 2005

NOTE F - CAPITAL ASSETS (CONTINUED)

	BALANCE <u>03-01-04</u>	<u>ADDITIONS</u>	<u>DELETIONS</u>	BALANCE <u>02-28-05</u>
BUSINESS-TYPE ACTIVITIES				
Capital Assets not being Depreciated				
Land	\$ <u>24,966</u>	\$ <u>-0-</u>	\$ <u>-0-</u>	\$ <u>24,966</u>
Capital Assets being Depreciated				
Buildings	\$ 12,728	\$ -0-	\$ -0-	\$ 12,728
Equipment	14,235	-0-	-0-	14,235
Sewer System	743,564	-0-	-0-	743,564
Water System	<u>279,423</u>	<u>-0-</u>	<u>-0-</u>	<u>279,423</u>
TOTAL	\$1,049,950	\$ -0-	\$ -0-	\$1,049,950
Accumulated Depr.	<u>(498,209)</u>	<u>(15,268)</u>	<u>-0-</u>	<u>(513,477)</u>
Net Capital Assets Being Depreciated	\$ <u>551,741</u>	<u>(15,268)</u>	<u>-0-</u>	<u>536,473</u>
NET GOVERNMENTAL CAPITAL ASSETS	\$ <u>576,707</u>	\$ <u>(15,268)</u>	\$ <u>-0-</u>	\$ <u>561,439</u>

VILLAGE OF NEW LOTHROP
SHIAWASSEE COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FEBRUARY 28, 2005

NOTE F - CAPITAL ASSETS (CONTINUED)

COMPONENT UNIT	BALANCE 03-01-04	ADDITIONS	DELETIONS	BALANCE 02-28-05
Capital Assets not being Depreciated				
Land	\$40,005	\$ -0-	\$ -0-	\$40,005
Capital Assets being Depreciated				
Equipment	\$ -0-	\$ 5,754	\$ -0-	\$ 5,754
Furn. & Fixt.	5,052	2,448	-0-	7,500
Infrastructure	<u>3,385</u>	<u>23,084</u>	<u>-0-</u>	<u>26,469</u>
TOTAL	\$ 8,437	\$31,286	\$ -0-	\$39,723
Accumulated Depr.	<u>(1,684)</u>	<u>(2,165)</u>	<u>-0-</u>	<u>(3,849)</u>
Net Capital Assets Being Depreciated	\$ <u>6,753</u>	\$ <u>29,121</u>	\$ <u>-0-</u>	\$ <u>35,874</u>
NET GOVERNMENTAL CAPITAL ASSETS	\$ <u>46,758</u>	\$ <u>29,121</u>	\$ <u>-0-</u>	\$ <u>75,879</u>

NOTE G - TAX INCREMENT FINANCE PLAN (TIFA)

The Development Authority has adopted a tax increment finance plan for the purpose of providing money to make public improvements within the municipality. The theory being that an investment in necessary public improvements with the municipality will result in greater tax revenues from that area than would occur if no special development were undertaken. Taxes generated from the increase in state equalized value over 1990's state equalized value are TIFA monies to be used for these improvements.

Projects are planned for development with the TIFA monies are: development of a public park and construction of a water filtration plant. Authorized expenditures associated with these projects include: development of zoning ordinances and land use plan, acquisition of "vest pocket" park, development of pair, general downtown facade improvements, promotion of downtown area and recruitment of businesses to the area and construction of water filtration plant.

VILLAGE OF NEW LOTHROP
SHIAWASSEE COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FEBRUARY 28, 2005

NOTE H - GENESEE STREET IMPROVEMENT PROJECT

The Genesee Street Project removed and repaired existing road surface, sidewalk, storm drainage, installed conduit, street lighting, curb and gutter. The total project cost \$406,936.

The project was paid for by a loan from the Michigan Department of Transportation State Infrastructure Bank. The interest rate for the loan will be four percent, with annual payments of \$51,772. The loan is secured by the Village's Act 51 Revenue Sharing.

A summary of changes in long-term debt follows:

	BALANCE <u>03-01-04</u>	<u>ADDITIONS</u>	<u>DEDUCTIONS</u>	BALANCE <u>02-28-05</u>
Genesee St. Payment	<u>\$260,404</u>	<u>\$ -0-</u>	<u>\$ 41,356</u>	<u>\$219,048</u>

Annual debt service requirements to maturity for the above obligations are as follows:

<u>YEAR END FEBRUARY 28</u>	<u>TOTAL</u>
2006	\$ 43,010
2007	44,730
2008	46,520
2009	48,380
2010	<u>36,408</u>
	<u>\$219,048</u>

NOTE I - DEFERRED COMPENSATION PLAN

The Village does not have a deferred compensation plan.

NOTE J - PENSION PLAN

The Village does not have a pension plan.

VILLAGE OF NEW LOTHROP,
SHIAWASSEE COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FEBRUARY 28, 2005

NOTE K - RISK MANAGEMENT

The Village is exposed to various risks of loss related property loss, torts, errors, omissions and employee injuries (workers' compensation). The Village has purchased commercial insurance for property loss, torts, and workers' compensation claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

NOTE L - BUILDING PERMITS

As of February 28, 2005, the Village had building permit revenues of \$1,912 and building permit expenses of \$2,500.

NOTE M - SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The Village maintains two Enterprise Funds which provide sewer and water services. Segment information for the year ended February 28, 2005, is as follows:

	<u>SEWER FUND</u>	<u>WATER FUND</u>
Operating Revenues	\$ 50,881	\$ 41,570
Depreciation Expense	6,452	8,815
Net Income (Loss)	(5,584)	2,645
Net Working Capital	382,464	701,423
Net Assets	383,246	702,318

NOTE N - SUBSEQUENT EVENT

On June 16, 2005, the Village signed an agreement with Artesion of Pioneer, Inc., for Artesian to build and operate a drinking water treatment plant. The Village will pay a base rate of \$31,777 per quarter that is guaranteed until April 1, 2010.

REQUIRED
SUPPLEMENTARY
INFORMATION

VILLAGE OF NEW LOTHROP
SHIAWASSEE COUNTY, MICHIGAN
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED FEBRUARY 28, 2005

	ORIGINAL <u>BUDGET</u>	FINAL <u>BUDGET</u>	<u>ACTUAL</u>	VARIANCE WITH FINAL BUDGET <u>OVER (UNDER)</u>
REVENUES:				
Property Taxes	\$ 50,500	\$ 50,500	\$ 50,126	\$ (374)
State Revenue Sharing	67,000	67,000	58,342	(8,658)
Charges for Services:				
Security	-0-	-0-	195	195
Zoning	2,500	2,500	1,912	(588)
Fines and Forfeits:				
Police Fines	2,000	2,000	553	(1,447)
Franchise Fees	-0-	-0-	2,277	2,277
Interest	2,000	2,000	1,473	(527)
Liquor License Fees	1,500	1,500	1,067	(433)
Police Training Grant	500	500	500	-0-
TOTAL REVENUES	<u>\$126,000</u>	<u>\$126,000</u>	<u>\$116,445</u>	<u>\$ 9,555</u>
EXPENDITURES:				
General Administration:				
Officials Wages	\$ 15,000	\$ 14,700	\$ 14,690	\$ (10)
Office, Dues & Publ.	6,000	5,600	5,562	(38)
Prof. Services	12,000	10,600	10,566	(34)
Telephone	2,000	2,000	1,974	(26)
Election Costs	500	1,100	1,070	(30)
Insurance	5,000	6,300	6,238	(62)
Repairs & Maint.	6,000	6,900	6,824	(76)
Payroll Taxes	1,100	1,200	1,131	(69)
Capital Outlay	4,400	3,700	3,631	(69)
Penalties & Fines		800	703	(97)
Law Enforcement:				
Officials Wages	600	600	600	-0-
Wages	29,832	29,832	27,681	(2,151)
Payroll Taxes	2,433	2,433	2,163	(270)
Office Supplies	800	1,000	997	(3)
Telephone	1,800	1,800	1,779	(21)
Gas & Oil	1,400	1,500	1,496	(4)
Insurance	9,400	10,200	10,114	(86)
Professional Serv.	2,000	2,500	2,427	(73)
Repairs & Maint.	2,000	2,000	854	(1,146)
Training & Education	1,000	1,000	500	(500)
Capital Outlay	3,600	2,000	-0-	(2,000)
Clothing	500	500	134	(366)
Recreation	300	300	-0-	-0-
Library	1,200	1,200	1,200	-0-
TOTAL EXPENDITURES	<u>\$123,865</u>	<u>\$123,865</u>	<u>\$116,361</u>	<u>\$ (7,504)</u>

VILLAGE OF NEW LOTHROP
SHIAWASSEE COUNTY, MICHIGAN
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED FEBRUARY 28, 2005

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	VARIANCE WITH FINAL BUDGET OVER (UNDER)
EXCESS REVENUES OVER EXPENDITURES	\$ <u>2,135</u>	\$ <u>2,135</u>	\$ 84	\$ <u>2,051</u>
Fund Balance at March 1, 2004			<u>171,602</u>	
FUND BALANCE AT FEBRUARY 28, 2005			<u>\$171,686</u>	

VILLAGE OF NEW LOTHROP
SHIAWASSEE COUNTY, MICHIGAN
BUDGETARY COMPARISON SCHEDULE
MAJOR STREET FUND
FOR THE YEAR ENDED FEBRUARY 28, 2005

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET OVER (UNDER)
REVENUES:				
State Revenue Sharing	\$36,000	\$41,489	\$38,571	\$ (2,918)
Interest	<u>800</u>	<u>800</u>	<u>274</u>	<u>(526)</u>
TOTAL REVENUES	<u>\$36,800</u>	<u>\$42,289</u>	<u>\$38,845</u>	<u>\$ (3,444)</u>
EXPENDITURES:				
Critical Bridge Project	\$ -0-	\$ 4,500	\$ 4,496	\$ (4)
Routine Maintenance:				
Wages	12,500	17,905	17,905	-0-
Payroll Taxes	800	1,500	1,402	(98)
Bridge Inspection	-0-	500	450	(50)
Gas	-0-	800	774	(26)
Repairs & Maintenance	17,000	7,284	7,248	(36)
Insurance	4,000	5,300	5,293	(7)
Officials Wages	420	420	420	-0-
Office Supplies	-0-	700	649	(51)
Professional Services	1,000	500	493	(7)
Snow Removal	<u>4,000</u>	<u>5,800</u>	<u>5,722</u>	<u>(78)</u>
TOTAL EXPENDITURES	<u>\$39,720</u>	<u>\$45,209</u>	<u>\$44,852</u>	<u>\$ (357)</u>
DEFICIENCY OF REVENUES OVER EXPENDITURES	<u>\$ (2,920)</u>	<u>\$ (2,920)</u>	<u>\$ (6,007)</u>	<u>\$ (3,087)</u>
OTHER SOURCES OF FUNDS:				
Transfer in from Component Unit	\$ -0-	\$ -0-	\$12,000	\$ 12,000
TOTAL OTHER SOURCES OF FUNDS	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$12,000</u>	<u>\$ 12,000</u>
EXCESS OF REVENUES OVER EXPENDITURES AND OTHER SOURCES OF FUNDS	<u>\$ (2,920)</u>	<u>\$ (2,920)</u>	<u>\$ 5,993</u>	<u>\$ 8,913</u>
Fund Balance at March 1, 2004			<u>18,417</u>	
FUND BALANCE AT FEBRUARY 28, 2005			<u>\$24,410</u>	

VILLAGE OF NEW LOTHROP
SHIAWASSEE COUNTY, MICHIGAN
BUDGETARY COMPARISON SCHEDULE
LOCAL STREET FUND
FOR THE YEAR ENDED FEBRUARY 28, 2005

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET OVER UNDER
REVENUES:				
State Revenue Sharing	\$12,000	\$14,750	\$12,396	\$(2,354)
Interest	250	250	187	(63)
TOTAL REVENUES	<u>\$12,250</u>	<u>\$15,000</u>	<u>\$12,583</u>	<u>\$(2,417)</u>
EXPENDITURES:				
Routine Maintenance:				
Wages	\$ 6,500	\$ 6,100	\$ 6,063	\$ (37)
Payroll Taxes	400	500	478	(22)
Repairs & Maintenance	3,000	3,000	2,316	(684)
Insurance	2,000	2,300	2,269	(31)
Officials Wages	180	180	180	-0-
Professional Services	500	3,250	5,100	1,850
Snow Removal	<u>1,500</u>	<u>1,500</u>	<u>1,479</u>	<u>(21)</u>
TOTAL EXPENDITURES	<u>\$14,080</u>	<u>\$16,830</u>	<u>\$17,885</u>	<u>\$ 1,055</u>
EXCESS (DEFICIENCY) OF				
REVENUES OVER				
EXPENDITURES	<u>\$(1,830)</u>	<u>\$(1,830)</u>	<u>\$(5,302)</u>	<u>\$(3,472)</u>
Fund Balance at March 1, 2004			<u>30,341</u>	
FUND BALANCE AT FEBRUARY 28, 2005			<u>\$25,039</u>	

VILLAGE OF NEW LOTHROP
SHIAWASSEE COUNTY, MICHIGAN
BUDGETARY COMPARISON SCHEDULE
WATER FUND
FOR THE YEAR ENDED FEBRUARY 28, 2005

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET OVER (UNDER)
OPERATING REVENUES:				
Water Sales	\$42,000	\$42,000	\$ 44,648	\$ 2,648
Hydrant Tax	5,000	5,000	5,046	46
Installation and Inspection Fees	<u>2,000</u>	<u>2,000</u>	<u>1,187</u>	<u>(813)</u>
TOTAL OPERATING REV.	<u>\$49,000</u>	<u>\$49,000</u>	<u>\$ 50,881</u>	<u>\$ 1,881</u>
OPERATING EXPENSES:				
Administration	\$11,200	\$12,000	\$ 16,889	\$ 4,889
Operation & Maint.	22,400	19,100	19,037	(63)
Wages	11,600	15,300	15,217	(83)
Payroll Taxes	1,000	1,300	1,210	(90)
Utilities	2,800	2,800	2,477	(323)
Depreciation	<u>8,000</u>	<u>6,500</u>	<u>6,452</u>	<u>(48)</u>
TOTAL OPERATING EXP.	<u>\$57,000</u>	<u>\$57,000</u>	<u>\$ 61,282</u>	<u>\$ 4,282</u>
OPERATING INCOME	<u>\$(8,000)</u>	<u>\$(8,000)</u>	<u>\$(10,401)</u>	<u>\$(2,401)</u>
NON-OPERATING REVENUES:				
Wellhead Protection Grant	\$ -0-	\$ -0-	\$ 2,850	\$ 2,850
Interest Revenue	<u>5,000</u>	<u>5,000</u>	<u>1,967</u>	<u>(3,033)</u>
TOTAL NON-OPERATING REVENUES	<u>\$ 5,000</u>	<u>\$ 5,000</u>	<u>\$ 4,817</u>	<u>\$ (183)</u>
NET INCOME (LOSS)	<u>\$(3,000)</u>	<u>\$(3,000)</u>	<u>\$ (5,584)</u>	<u>\$(2,584)</u>
Retained Earnings at March 1, 2004			<u>388,048</u>	
RETAINED EARNINGS AT FEBRUARY 28, 2005			<u>\$382,464</u>	

VILLAGE OF NEW LOTHROP,
SHIAWASSEE COUNTY, MICHIGAN
BUDGETARY COMPARISON SCHEDULE
SEWER FUND
FOR THE YEAR ENDED FEBRUARY 28, 2005

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET OVER (UNDER)
OPERATING REVENUES:				
Sewage Disposal Services	\$ 38,000	\$ 38,000	\$ 40,930	\$ 2,930
Installation & Inspection Fees	<u>1,500</u>	<u>1,500</u>	<u>640</u>	<u>(860)</u>
TOTAL OPERATING REVENUES	<u>\$ 39,500</u>	<u>\$ 39,500</u>	<u>\$ 41,570</u>	<u>\$ 2,070</u>
OPERATING EXPENSES:				
Administration	\$ 10,100	\$ 11,700	\$ 11,642	\$ (58)
Operation & Maint.	12,000	10,300	3,199	(7,101)
Wages	17,000	17,000	15,049	(1,951)
Payroll Taxes	1,500	1,500	1,197	(303)
Utilities	800	900	843	(57)
Depreciation	<u>9,000</u>	<u>9,000</u>	<u>8,815</u>	<u>(185)</u>
TOTAL OPERATING EXPENSES	<u>\$ 50,400</u>	<u>\$ 50,400</u>	<u>\$ 40,745</u>	<u>\$ (9,655)</u>
OPERATING INCOME	<u>\$(10,900)</u>	<u>\$(10,900)</u>	<u>\$ 825</u>	<u>\$11,725</u>
NON-OPERATING INCOME (LOSS)				
Interest Revenue	<u>\$ 4,000</u>	<u>\$ 4,000</u>	<u>\$ 1,820</u>	<u>\$(2,180)</u>
TOTAL NON-OPERATING REV.	<u>\$ 4,000</u>	<u>\$ 4,000</u>	<u>\$ 1,820</u>	<u>\$(2,180)</u>
NET INCOME (LOSS)	<u>\$(6,900)</u>	<u>\$(6,900)</u>	<u>\$ 2,645</u>	<u>\$ 9,545</u>
Retained Earnings at March 1, 2004			<u>698,778</u>	
RETAINED EARNINGS AT FEBRUARY 28, 2005			<u>\$701,423</u>	

VILLAGE OF NEW LOTHROP
SHIAWASSEE COUNTY, MICHIGAN
BUDGETARY COMPARISON SCHEDULE
COMPONENT UNIT
FOR THE YEAR ENDED FEBRUARY 28, 2005

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET OVER (UNDER)
REVENUES:				
Property Taxes	\$ -0-	\$ -0-	\$140,710	\$140,710
Interest	-0-	-0-	513	513
TOTAL REVENUES	\$ -0-	\$ -0-	\$141,223	\$141,223
EXPENDITURES:				
Downtown Beautification	\$ 10,000	\$ 10,000	\$ 2,187	\$ (7,813)
Officials Wages	500	500	500	-0-
Capital Outlay	40,000	80,000	31,286	(48,714)
Long-Term Debt Payment:				
Interest	10,416	10,416	10,416	-0-
Principal	41,356	41,356	41,356	-0-
Professional Fees	20,000	20,000	4,770	(15,230)
Supplies	4,500	4,500	137	(4,363)
Downtown Promotion	21,000	21,000	6,103	(14,897)
TOTAL EXPENDITURES	\$ 147,772	\$ (187,772)	\$ 96,755	\$ (91,017)
EXCESS OF REVENUES OVER EXPENDITURES	\$ (147,772)	\$ (187,772)	\$ (44,468)	\$232,240
OTHER USES OF FUNDS:				
Transfer to Primary Government	\$ (12,000)	\$ (12,000)	\$ (12,000)	\$ -0-
TOTAL OTHER USES OF FUNDS	\$ (12,000)	\$ (12,000)	\$ (12,000)	\$ -0-
EXCESS OF REVENUES OVER EXPENDITURES AND OTHER USES OF FUNDS	\$ (159,772)	\$ (199,772)	\$ 32,468	\$232,240
Fund Balance at March 1, 2004			289,203	
FUND BALANCE AT FEBRUARY 28, 2005			\$321,671	



DEMIS and WENZLICK, P.C.

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Gail Winnick, C.P.A.

July 26, 2005

To the Honorable Mayor
and Village Council
Village of New Lothrop

In compliance with the provisions of Section 11, Paragraph 2, of Act 2, Public Acts of 1968, we wish to render our report of comments and recommendations which were formulated as a result of the examination our firm performed on the financial statements of the Village of New Lothrop for the year ended February 28, 2005.

BUDGET

The state revenue sharing distribution law, P.A. 176, of 1980, includes a compliance requirement in budgeting. It is important under this act that expenditures do not exceed the budget. Expenditures include accounts payable at March 31. Budgeted expenditures cannot exceed budgeted revenue plus the beginning fund balance. During our audit we noticed two expenditures exceeded budgeted amounts. Care should be taken that expenditures do not exceed the budget.

DISBURSEMENTS

The Village has two credit cards, one with Platinum Plus and the other with Marathon. Every month the clerk pays the balance from the monthly statement. Platinum Plus statement has some invoices attached to it, indicating what the charges were for. Marathon did not have all the invoices attached to it. The Marathon card is primarily for the Police Department. All invoices should be turned into the clerk in order for her to verify the charges.

We wish to thank the Council for the cooperation we received in performing the Village audit. If we can be of any further assistance to the Village, please contact us.

Dennis and Wergfest, P.C.

Certified Public Accountants